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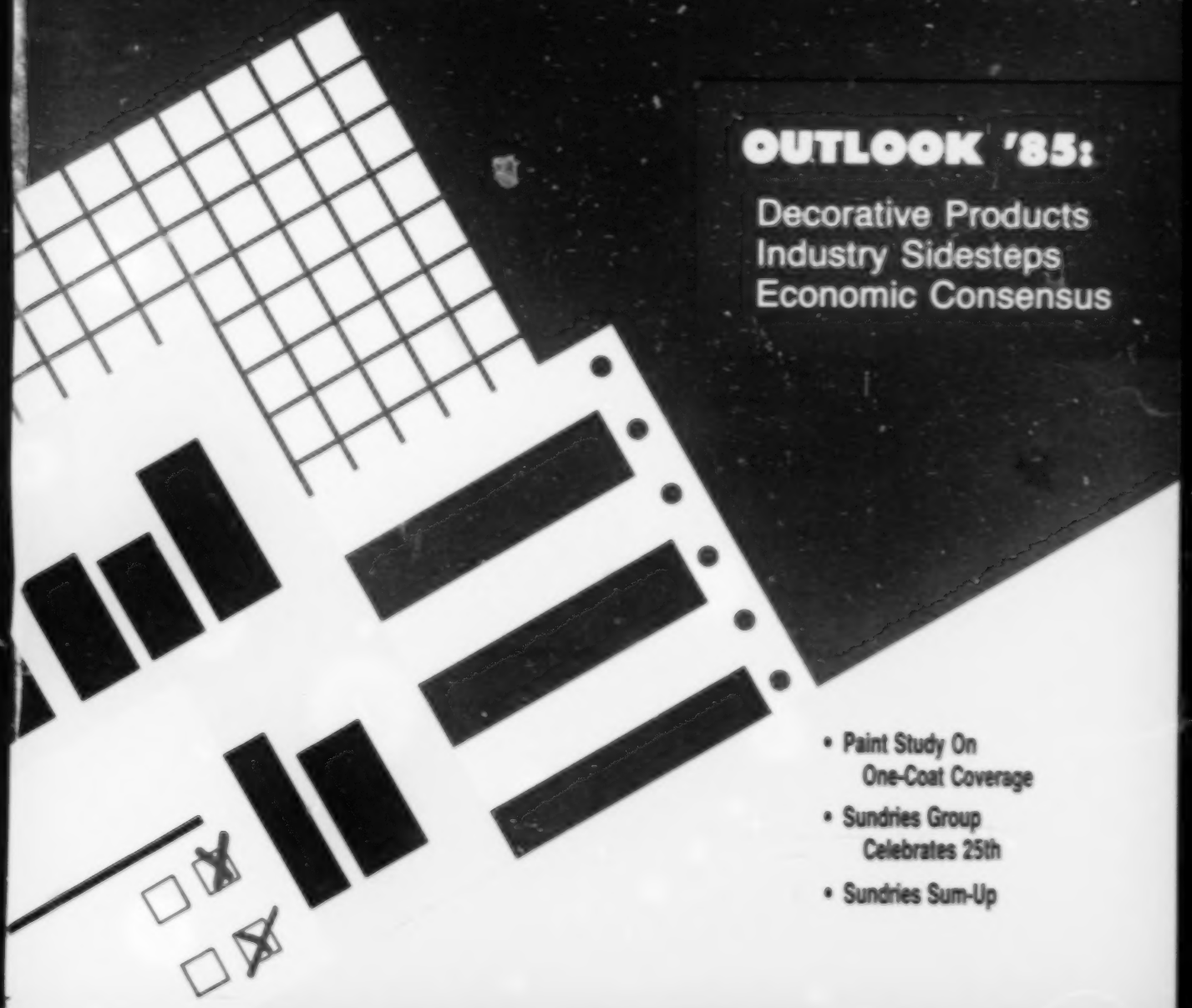
Decorative Products WORLD



OUTLOOK '85:

Decorative Products Industry Sidesteps Economic Consensus

- Paint Study On One-Coat Coverage
- Sundries Group Celebrates 25th
- Sundries Sum-Up

Decorative Products WORLD

Serving volume outlets for paint wallcoverings and related merchandise

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Outlook '85:
Decorative Products Industry Sidesteps Economic Consensus

By Rick Hirsch and Pamela Gerhardt

In September, DPW *sent four-page questionnaires to a select group of readers. By the end of October, over 400 useable responses were returned. Of that group, 47.6 percent classified themselves as independent dealers, 16 percent as hardware dealers, 9 percent for both lumber/building supply outlets and paint manufacturer-owned stores, 6 percent were home centers and 12 percent classified themselves as "other."*

The "other" category is one that has proven to be somewhat confusing to readers in the past. What the "other" category simply means is that the respondents did not see themselves fitting into any of the aforementioned categories. "Others" are usually decorative products outlets such as window treatment shops, craft shops, home furnishings stores, bathroom accessory stores and interior design showrooms.

Although hard figures for the final quarter of 1984 had to be estimated (due to the timing of this year's survey), decorative products dealers generally had a good idea of what to expect. Therefore, we did not hesitate in making the decision to go ahead with it at this time of the year. It seems that the benefits of starting off the new year with this upbeat set of data more than offsets the benefits of "real" numbers, as opposed to estimated figures for the final quarter of the year.—Ed.

Business was better in 1984 than it has been in the past 10 years. Throughout the late '70s and early '80s, retailers did not see such activity. As indicated in Table 1, the majority of all sales for 1984 are classified as either above average or average by all store categories.

Lumber stores apparently out-sold the other, with 6 percent of the respondents labeling their decorative products business as "booming." In close second were the independent and hardware stores, both with 5 percent of the respondents' stores "booming." Very few other outlets, with the exception of 1 percent here or 2 percent there, considered their business so good in the previous year's survey.

Likewise, those stores that consider business to be "poor" diminished since the previous year. Not one respondent in the paint manufacturer-owned stores or home centers considered business to be poor. Those stores that did poorly in 1984 are few and far between: independent-1 percent, hardware-2 percent, lumber-2 percent and "other"-2 percent.

Not counting the lucky 6 percent of the lumber stores whose business was booming, it looks like the independent and paint manufacturer-owned stores did the best overall. Forty-three percent of the independent stores said business was above average; fifty-three percent of the manufacturer-owned stores said the same. The majority of the home center, hardware and lumber stores considered business to be average.

The jump in sales for the lumber stores (6 percent "booming" and a jump from 12 percent above average in 1983 to 36 percent above average in 1984) can be attributed to 1984's increase in building and new housing starts. Increases in sales for the hardware stores can be explained in much the same way, with a consumer and professional demand for tools and sundries with which to build or renovate.

On the whole, all store categories in the decorative products business are on an upward climb toward better sales. Whether that trend will continue or reverse itself is yet to be seen over the next two to four years.

Table 1

How would you classify sales at your store in 1984?

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Booming	5%	3%	4%	5%	6%	4%	5%
Above Average	43%	53%	33%	28%	36%	43%	38%
Average	38%	34%	58%	59%	42%	43%	42%
Below Average	12%	3%	4%	6%	14%	7%	9%
Poor	1%	0	0	2%	2%	2%	1%
No Answer	1%	7%	1%	0	0	1%	5%
100%	100%	100%	100%	100%	100%	100%	100%

Table 2

Average Estimated Decorative Product Sales Per Store In 1984

Independent	$428,902
Paint Mfg.-Owned	$784,483
Home Centers	$384,091
Hardware	$122,414
Lumber	$215,625
Other	$612,195
General Survey Population	$336,124

Table 3

Decorative Products Sales In 1984 Compared To 1983

	Independent	Paint Mfg.-Owned	Home Centers	Hardware	Lumber	Other	General Survey Population
Increased	79%	81%	83%	59%	75%	61%	73%
Increased by an average of	17%	18%	16%	11%	16%	29%	17%
Decreased	5%	3%	5%	2%	9%	3%	8%
Decreased by an average of	19%	5%	5%	12%	12%	35%	15%
Stay the same	13%	16%	12%	39%	76%	36%	19%

Table 4

In 1985, Decorative Product Sales Should . . .

	Independent	Paint Mfg.-Owned	Home Centers	Hardware	Lumber	Other	General Survey Population
Increase	83%	80%	75%	72%	60%	76%	78%
Increase by an average of . . .	15%	15%	19%	12%	18%	19%	15%
Decrease	1%	0	0	2%	0	0	1%
Decrease by an average of . . .	8%	0	0	5%	0	0	14%
Stay the same	16%	20%	25%	26%	40%	24%	21%

Table 2 shows the average per store sales accumulated in 1984 by the various types of decorative products outlets. As has been the case in the past, paint manufacturer-owned outlets have had the largest figure. This year, the average sales per store for those outlets was $784,483, more than double the figure for the general survey population ($336,124). Also, as is generally the case, the average gross sales of hardware outlets per store was the lowest with $122,414. The "other" category registered a $612,195 figure, while independents had an average of $428,902 per store.

As can be determined by examining the figures in Table 3, gross sales of decorative products in every type of store outlet showed a much greater percentage of overall increases in 1984 than decreases. The figure that shows 59 percent of hardware stores experiencing a gross sales increase over 1983, in fact, was the *lowest* percentage of all outlets. From that low of 59 percent, the range of percentages of outlets showing an increase reaches to a high figure of 83 percent for home centers.

While home centers proportionally had more of their outlets experiencing increases in gross sales, the "other" category experienced the highest average increases in gross sales. Sales in that store category gained an average of 29 percent for those "other" outlets showing an increase.

When pointing out that only 59 percent of hardware stores experienced an increase in gross sales from 1983, it is important to keep in mind one thing. That figure could be misleading. Only 2 percent of the hardware stores experienced a sales *decrease*, so things are holding steady in that sector of the retail environment. Lumber/building supply stores are the ones with the greatest percentage of its businesses showing decreases in 1984 gross sales. Nine percent of those outlets showed a decrease, with the average decrease being 12 percent.

For the general survey population, it is shown that 73 percent of all outlets had an increase in decorative products sales of about 17 percent, 8 percent showed a decrease in average of about 15 percent, and 19 percent reported that all things were the same. For the most part, sales of decorative products were about 5 percent better than the industry had predicted last year.

The overwhelming majority of outlets surveyed, encouraged by better-than-expected results in 1984, are hoping for even greater things in 1985. Only 1 percent of all those surveyed expect things to get tougher in 1985. Of the 78 percent who think that gross sales will improve in 1985, an average increase of 15 percent is expected.

Independent and paint manufacturer-owned dealers are among the most optimistic. Eighty-three percent of independents and 80 percent of paint manufacturer-owned outlets expect a sales increase in 1985 of 15 percent.

Decorative products dealers are obviously not alarmed by the huge national deficits or the predicted slowing of the economy forecasted by many of today's experts. Armed with the knowledge that things were better than anticipated in 1984, they look for even greater things to come in 1985. If the industry can again come up with a better-than-expected year, the back to back surprises will have decorative products dealers sitting pretty this time next year.

Table 5

1985 cost of goods sold will . . .

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Increase	78%	50%	91%	70%	57%	78%	75%
Increase by an average of . . .	6%	8%	13%	9%	10%	9%	9%
Decrease	2%	0	0	2%	3%	3%	2%
Decrease by an average of . . .	10%	0	0	5%	35%	5%	11%
Stay the same	20%	50%	9%	28%	40%	19%	23%

Gross Margin By Product Type

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Paint Sundries	44%	42%	48%	46%	48%	38%	44%
Chemical Specialties	41%	39%	48%	44%	44%	44%	51%
Draperies	50%	40%	48%	45%	48%	43%	47%
Window Treatments	44%	42%	41%	44%	41%	42%	43%
Floor Coverings	36%	29%	44%	39%	28%	38%	36%
Arts & Crafts	48%	35%	60%	47%	55%	43%	49%

Table 7

Average Inventory By Product Type

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Paint Sundries	$16,154	$24,323	$ 9,954	$ 9,675	$ 7,204	$15,821	$14,158
Chemical Specialties	3,972	9,642	7,100	4,942	8,666	1,793	5,656
Draperies	1,926	0	1,000	833	500	21,500	7,382
Window Treatments	2,239	1,500	1,857	2,272	1,500	4,750	2,443
Floor Coverings	21,206	32,250	26,214	2,900	4,750	24,923	17,984
Arts & Crafts	10,326	0	500	1,450	1,500	16,625	7,200

Upon requesting that dealers look into their crystal balls to predict the future of decorative products, again interesting results are achieved. While noting how few dealers expected gross sales in 1985 to drop, take a look at the percentages of dealers who actually expect the cost of goods sold in 1984 to lower as well. There are more dealers that expect the cost of goods sold to drop, and by greater percentages, than there are those expecting a corresponding lowering of gross sales. This is another indication that retailers of decorative products are enthusiastic and anticipatory of the coming year.

Only about half of those paint manufacturer-owned outlets surveyed reported that they expect an increase in the cost of goods sold in 1985. And of those 50 percent, the average increase expected is only 8 percent.

As was the case last year, however, the great majority of home centers (91 percent) expect a 13 percent increase in the cost of goods sold. This 13 percent is the highest of all types of outlets surveyed. For the past two years, home centers have predicted the worst as far as the cost of goods sold for their respective outlets is concerned.

The home center outlets continue to have a great impact on overall paint, chemical specialty and sundry sales. More notable, though, is the impact these stores had on floor coverings and arts & crafts. As one can see in Table 6, home centers were able to attain the highest margins on paint sundries (48 percent), chemical specialties (48 percent), floor coverings (44 percent) and arts & crafts (60 percent).

Attaining the highest margin on floor coverings is pretty much the norm for the home centers, according to previous surveys. But the truly wide margins showing on arts & crafts is something new in 1984. In the past, home centers have always been up there in profits from this area, but 60 percent in 1984 beats out all the other stores by a long way — independent (48 percent) or paint manufacturer-owned (35 percent).

Much like the lumber stores, home centers are traditionally behind in gross margins on window treatments. Previous surveys indicate that home centers were picking up on the profits from window treatments, but this survey shows that those margins are down again. Both home centers and lumber stores also indicated a 48 percent gross margin on paint sundries. If one looks at these two type stores, in fact, one finds many similarities as far as profit goes.

The independent store's highest profit margin seems to be in draperies (50 percent). This shows considerable change from the previous year's 10 percent. The independent, like the home center or lumber outlet, also reaps high profit margins from arts & crafts (48 percent).

Paint manufacturer-owned stores attain their highest gross margins in the areas of paint sundries and window treatments (both showing a 42 percent gross margin). The lowest margins showing for both the manufacturer-owned and independents is found in the merchandising of floor coverings, an area in which these type

stores generally have not yet mastered. Much of the problem can be attributed to these traditionally smaller sized stores competing with the huge, warehouse-like space devoted to floor coverings in hardware stores or home centers.

The respondents who own lumber stores show that their highest margins are attained from paint sundries and draperies (identical figures to the home center). The "other" category, which includes those stores that specialize, say, in stained glass or picture framing, indicate that highest margins come from chemical specialties (44 percent), paint sundries (38 percent) and floor coverings (38 percent).

Overall, the most obvious difference between this survey and the previous year's is the wider margins gained in the arts & crafts area by all types of stores.

Table 8

1984 Sales By Department

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Paint & Coatings	45%	65%	31%	53%	53%	26%	47%
Sundries	13%	15%	13%	20%	16%	8%	14%
Chemical Specialties	6%	7%	11%	16%	22%	3%	9%
Wallcovering/ Window Trmts.	22%	8%	13%	5%	5%	28%	18%
Floor Coverings	7%	4%	25%	2%	4%	27%	7%
Arts & Crafts	2%	0.4%	1%	2%	0.4%	3%	2%
Other	4%	0.6%	6%	2%	0.6%	5%	3%
	100%	100%	100%	100%	100%	100%	100%

Now that we have looked at the gross margins according to the various products sold, it is only proper to see just how many dollars each type store invested in those products. As indicated in Table 7, floor coverings come out the overall winner in dollars spent by the majority of the different type stores: independents spent an average of $21,208; manufacturer-owned, $32,250; home centers, $28,214; and "others" spent $24,923.

Hardware and lumber stores, however, showed different results. Hardware stores spent most of their dollars on paint sundries. Lumber stores found most of their money being invested in the purchase and stocking of chemical specialties. With the exception of these two categories, it appears that floor coverings remain expensive for the average retailer in the decorative products business. The price of investment is high; the gross margin is low.

Another area in which many dollars were spent is found in the paint sundries items. Ranked second for dollars spent by nearly all type stores, paint sundries still show high gross margins. Unlike floor coverings, items such as paint brushes remain high profit products.

Just for the fun of it, look at the dollars spent on draperies by each store category. It comes as no surprise that draperies are way up there in high gross margin. Lumber yards spend an average of only $500 on draperies, yet yield a 48 percent gross margin. Hardware stores spent only $833 on draperies. Given all these low figures in draperies, it is interesting to note that the "other" category of store types spent $21,500. Not only is this double the amount spent in this area by the other stores, it also exceeds the amount spent by many of the other stores in the paint sundries area.

Note also that paint manufacturer-owned stores usually spend no dollars on arts & crafts. The figures for home centers selling arts & crafts is also low ($500).

Looking at the survey population as a whole, one finds that more money was invested in floor coverings on average than any other product ($17,984), and paint sundries came in second with $14,158.

Respondents to the survey divided the percentage of 1984 sales by the various departments in Table 8. Paint & coatings accounted for the majority of sales for nearly all the different type stores surveyed.

Independent stores indicated that paint accounted for 45 percent of all sales. That is nearly half and somewhat up from the previous year's 42 percent. Wallcoverings/window treatments came in second, showing 22 percent of the year's sales. This is down from the previous year's 27 percent. Sundries, chemical specialties and arts & crafts remain about the same as in previous years, resulting in a fraction of the stores' total sales.

Paint manufacturer-owned stores also showed greater percentages in the sale of paint and coatings (from 63 percent in 1983 to 65 percent in 1984). While independent stores showed lower sales in the wallcovering/window treatment business, the manufacturer-owned stores said that sales fell significantly, from 14 percent in 1983 to 8 percent in 1984.

Surprisingly, home centers indicated that this pattern in sales is the same for them. Wallcovering/window treatments are down, paint and paint sundries are up. If the independents and manufacturer-owned stores are not stealing the window treatment business, who is? Well, it looks like the lumber and hardware stores showed higher percentages for this area in 1984 than they did in 1983. Hardware sales in windows and walls went from 4 percent to 5 percent; lumber went from 2 percent to 5 percent.

Those same stores — lumber and hardware — show the highest percentages of sales for chemical specialties. Home centers and "other" stores showed higher percentages in floor coverings than any other type store.

Overall, paint & coatings account for the highest percentage of sales (47 percent), with wallcoverings/window treatments falling second (18 percent), and sundries taking third place (14 percent).

Percentage Of The General Survey Population Carrying Different Types Of Lines

	National	Regional	Private Label
1	44%	26%	19%
2	15%	5%	0
3	3%	0	1%
4	1%	1%	0
5	0	0	0
6	0	0	0
Percentage not responding	37%	68%	80%

Table 10

Paint Departments Carrying Full Lines

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
1	39%	94%	55%	71%	81%	68%	49%
2	32%	6%	28%	11%	13%	21%	21%
3	12%		11%	10%	3%	7%	9%
4	3%		6%	5%	3%	4%	3%
5	1%			3%			1%
6	0						1%
Percentage not Responding	12%						16%

Table 11

Paint Inventories And Margins

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Average Paint Inventory In 1984	$32,531	$46,025	$20,767	$22,500	$23,328	$29,023	$32,717
Average Gross Margin On Paint	42%	40%	35%	38%	36%	35%	33%

Paint, that greatest of consumer drawing cards to any decorative products outlet, is also perhaps the single most important product to the decorative products retailer. Readers of *DPW* always find it interesting to compare and contrast that area of the business with their fellow dealers.

In examining the data for the general survey population, it becomes evident that nearly everyone carries at least one national brand. The question was put to respondents in a way that would request a number corresponding to the amount of national, regional or private label paints one carries. So, it can generally be assumed that if nothing was checked, say, next to "private label," that dealer does not carry private label paint; hence, the large 80 percent figure for the general population describing individuals that did not respond to the question of private label paints.

Of those responding to the survey, 44 percent carry at least one national brand of paint, 26 percent at least one regional and 19 percent at least one private label. Fifteen percent of those surveyed say that they carry two national brands and 5 percent carry two regionals.

Only 1 percent carries four national brands; in addition, a mere 1 percent reported carrying four regional brands. The paint manufacturer-owned stores, as expected, indicated that 96 percent of them carry one full line. Most paint factory-owned stores carry the company's own line, of course, but some do supplement with paint lines from other manufacturers.

Independent dealers showed the most willingness to sell other lines. As an indication, the independent has the largest percentage of dealers carrying as many as three full lines (12 percent). A small percentage of hardware stores, however, even go as far as to carry four or five full lines.

The percentage of hardware stores carrying four full lines is 5 percent, while 3 percent of all hardware stores report carrying five lines. Most decorative product outlets, however, carry either one or two full lines of paint.

As has been the case in recent years, the average gross margins on paint sales for respondents to the annual dealer survey tends to be lower than on wallcoverings.

What is different now, however, is the fact that independent dealers are now earning the highest margins on paint (42 percent); and the lowest is tied between home centers and those in the "other" category (35 percent). All are generally higher margins than were attained for paint last year.

Table 11 indicates that the average margins on paint sales for most store categories hovers around the 36 percent mark. Only two years ago, gross margins on paint generally were around only 30 percent, so paint dealers are making some headway in the battle for paint profitability.

Independent paint dealers are no longer the industry leaders in the amount of money invested in paint. Paint manufacturer-owned outlets invested $46,025 in average dollar inventory in 1984 to lead the pack. Independents were second, however, with an average dollar investment in paint inventory of $32,531.

Table 12

In 1985, paint inventory will . . .

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Increase	62%	60%	36%	36%	18%	15%	33%
Increase By An Average of . . .	13%	8%	17%	12%	21%	11%	13%
Decrease	7%	6%	5%	10%	10%	2%	6%
Decrease By An Average of . . .	13%	5%	15%	14%	12%	5%	13%
Stay the Same	31%	34%	59%	64%	82%	83%	61%

Table 13

Wallcoverings are sold from . . . .

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Sample Books	63%	29%	59%	23%	31%	58%	60%
Stock	1%	5%	5%	5%	0	4%	3%
Self-display	0	8%	0	0	3%	0	1%
Book, Stock, Display	11%	13%	0	0	3%	0	7%
Book, Stock	25%	26%	0	0	5%	14%	12%
Stock, Display	0	0	9%	0	0	0	0%
No Answer		19%	27%	71%	58%	24%	16%
	100%	100%	100%	100%	100%	100%	100%

Most decorative products dealers do not foresee any increase in 1985 of their respective paint inventories (61 percent). If there is a group of outlets that is planning to be more aggressive in this area, however, it would be the independent dealer. Sixty-two percent of them expect to increase their paint inventories by 13 percent in 1985. About 60 percent of paint manufacturer-owned outlets expect to increase their dollars invested in paint inventory but not nearly of the same magnitude. Their average paint inventory increase is expected to be only 8 percent.

The greatest average increase in paint inventory (21 percent) is projected by lumber/building supply outlets, but only 18 percent of them plan to increase at all.

For that small segment (6 percent) of the industry planning to decrease their paint inventories in 1985, an average 13 percent decrease in average dollar inventory is projected.

Table 13 shows how wallcoverings fared in 1984 for the six different store types surveyed. According to the figures, all store categories are more inclined to sell wallcoverings from sample books than from stock, self-display merchandisers or any combination of the three. In all six store categories, the selling of wallcoverings from stock was minimal, with lumber yards not stocking at all. Independents were also less inclined to stock, with only 1 percent of their sales derived from this type merchandising.

Sample books, on the other hand, are by far the most popular and most successful means of selling wallcoverings. Sixty-three percent of all sales made by independent stores are done so through sample books. Despite the gripes one hears within the industry about the outrageous amount of these books, it seems independents and other stores have no choice; the sample books are the most efficient form of selling. They save space. Very few dealers could stock the variety in which they receive from a sample book. This space factor, of course, also accounts for the low percentages in selling from stock. Notice that those stores showing the highest percentages in this area are those stores traditionally larger in size than those showing low percentages in stock: home centers, hardware stores, paint manufacturer stores.

Self-display merchandising, like in-stock, also received a low vote in popularity. As might be expected, the paint manufacturer-owned store is the only category showing an accountable percentage in this area of selling. The manufacturer-owned stores are more inclined to receive display fixtures and p.o.p. merchandising aids than the self-owned

Table 14

Average Wallcovering Investment

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Inventory	$11,572	$23,300	$14,500	$ 5,000	$ 5,166	$13,000	$12,937
Sample Books	$ 3,268	$ 3,115	$ 642	$ 1,409	$ 750	$ 1,793	$ 2,569
Average #of books	299	176	83	86	68	227	247

Table 15

Average Gross Margin On Wallcoverings

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Sold from Stock	53%	49%	65%	53%	65%	54%	54%
Sold from Sample Books	43%	29%	48%	34%	35%	46%	42%

stores. With the exception of lumber stores, all other categories indicated that they rarely, if ever, sold wallcoverings from self-display units.

Further down the table, one will find various combinations of sample, stock and display. Notice that selling from stock and display is rare, with the home center the only category able to sell in this fashion. The independents and paint-manufacturer-owned stores do well with the combination of books and stocked wallcoverings.

If there was ever an indication as to why retailers prefer sample books to stock it can be found in Table 14. At just a glance, one can see that dollars spent on wallcovering inventory far exceeds that spent on sample books. Books may be expensive, but far more dollars were still spent on stocking the store. Since the majority of all wallcoverings sales are made through sample books, it is no wonder that retailers would rather buy books than stock.

Home centers and lumber stores spent the least amount on sample books ($672 and $750 respectively). Independents and paint manufacturer-owned stores were about even at around $3,000 each.

As for money invested in inventory, the paint manufacturer-owned stores lead, spending $23,300 in this area. Home centers, "other" and independent stores follow behind manufacturer-owned stores.

The entire survey population spent an average of $12,937 on wallcovering stock and $2,569 on sample books.

Retailers in all categories again tended to show higher margins on in-stock wallcoverings than on merchandise that had to be ordered through sample books. In the case of independents, the differences in the averages for in-stock wallcoverings versus ordered merchandise from sample books was about 10 percent. In the case of paint manufacturer-owned specialty stores, the difference was 20 percent. Even home centers, who traditionally discount in-stock wallcoverings rather heavily, had a higher average margin on in-stock than sample book orders (17 percent). Home centers, in fact, had an average gross margin as high as lumber/building supply stores in wallcoverings sold from stock. The reputation for discounting in-stock wallcoverings by the home center may no longer be a valid one.

Home centers also attained the highest gross margins on wallcoverings sold through sample books (48 percent). Paint manufacturer-owned stores gained the lowest average margins on these wallcoverings with 29 percent.

What two years ago looked like a shift away from the professional trade to the do-it-yourselfer has proven to be a short-lived phenomenon. With the building industry gaining in strength along with all of construction, it is not surprising that we see a subtle shift in the other direction.

Do-it-yourselfers now account for 47 percent of the independent's trade, compared to more than 49 percent last year. Comparatively, the painting contractor business has risen from just over 20 percent last year to 30 percent of the independent's sales in 1984.

This is the case for every store category except the home center, which continues its vast interest in the do-it-yourself market. Hardware stores have a similar philosophy, earning on average 63 percent of their sales from the homeowner. But this figure is down from nearly 74 percent last year.

Paint manufacturer-owned stores continue to dominate the painting and decorating contractor market. Even their percentage of painting contractor business rose from 42 percent to 44 percent this year.

Lumber/building supply outlets continue their stronghold on the "other contractors" segment due to the fact that many of those are members of trades not eagerly sought by the decorative products outlet.

Table 16

Percentage Of 1984 Sales By Type Of Customer

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Do-It-Yourselfers	47%	27%	60%	63%	48%	44%	50%
Painting & Decorating Contractors	30%	44%	14%	15%	15%	15%	24%
Other Contractors	7%	8%	11%	6%	20%	8%	9%
Institutional, Industrial and Commercial Accounts	13%	19%	11%	14%	16%	23%	14%
Other Dealers	3%	3%	4%	2%	1%	10%	3%
	100%	100%	100%	100%	100%	100%	100%

Table 17

What Types Of Outlets Do You Consider To Be Your Greatest Competion?

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Mass Merchandiser	Other	No Answer
% of Independents Consider Their Greatest Competition To Be . . .	13%	30%	1%	1%	2%	37%	4%	12%
% of Paint Mfg-Owned . . .	3%	47%	0	0	3%	21%	0	26%
% of Home Centers . . .	0	5%	14%	0	0	48%	14%	19%
% of Hardware Stores . . .	20%	13%	6%	3%	4%	35%	6%	13%
% of Lumber . . .	8%	13%	13%	0	3%	33%	3%	27%
% of Other . .	9%	4%	2%	0	2%	30%	32%	21%
% of General Survey Population . . .	10%	22%	4%	1%	3%	34%	8%	18%

Table 18

Percentage Of 1984 Sales By Type Of Customer

In 1985, do you plan to . . .

	Independent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Population
Open a New Store?	8%	10%	18%	4%	5%	6%	6%
Expand an Existing Store?	5%	5%	14%	7%	5%	12%	7%
Remodel an Existing Store?	15%	8%	14%	12%	15%	8%	12%
Move to a New Location?	4%	5%	0	1%	3%	6%	3%
None of the Above	67%	68%	54%	64%	69%	66%	67%
Percentage Not Responding	1%	4%	0	12%	3%	2%	5%

Institutional, industrial and commercial accounts were third behind do-it-yourselfers and painting contractors in largest percentage of business conducted at decorative product outlets (14 percent).

With the exception of paint manufacturer - owned stores, all the categories of stores in Table 17 indicate that mass merchandisers pose the greatest threat as far as competition goes. For the general survey population, 34 percent see the mass merchant as the greatest competitor.

As has been the case in the past, the only category that does not view the mass merchandiser as his greatest competitor is the paint manufacturer-owned store. To that type of dealer, other paint manufacturer-owned stores are more threatening. Very few dealers of any kind considered hardware stores much of a threat. However, relatively higher responses were garnered by both paint-manufacturer-owned stores and home centers. Independents were also close in the race to be feared.

Survey respondents were asked whether they planned to open a new store, expand or remodel an existing store, or move to a new location during 1985. The overwhelming majority plan to make no moves at all (67 percent). But of the responses, it seems as though remodeling is of the greatest concern. About 12 percent of the respondents say they will go that route in 1985. A mere 3 percent plan on moving, while 6 percent plant to open a new store, and 7 percent are making plans to expand their current outlet.

Remodeling was a semi-popular view by both independents and lumber/building supply outlets (15 percent). Most of these figures are not significantly different from last year. The generally good outlook by decorative products dealers has not given rise to a strong enough feeling to make any drastic changes in their current outlets.

The average number of employees per store for the entire survey population is three. As indicated in Table 19, 20 percent of the respondents employ three people at their store. Sixteen percent said they have two employees. Fifteen percent have four, and 12 percent have five. Although the number of employees ranges from one to 10, the majority of the stores fit into the two-, three-, four- or five-employee category.

Individually, the independent store most often has two employees; the paint manufacturer, three employees; the home center, three or four employees; hardware stores nine employees; lumber stores, 10 employees; and the "other" category, three employees. As might be expected, the lumber and hardware stores have

Average Number Of Employees Per Store

# of employees	Inde-pendent	Paint Mfg.-Owned	Home Center	Hardware	Lumber	Other	General Survey Popula-tion
1	7%	0	5%	2%	5%	6%	6%
2	24%	5%	5%	3%	8%	2%	16%
3	19%	31%	18%	15%	5%	19%	20%
4	15%	29%	18%	10%	8%	9%	15%
5	11%	8%	9%	12%	8%	13%	12%
6	7%	0	9%	12%	15%	6%	9%
7	5%	5%	0	3%	8%	6%	6%
8	3%	5%	5%	7%	3%	6%	5%
9	2%	0	0	1%	5%	2%	2%
10	3%	5%	0	20%	4%	11%	3%
No answer	4%	5%	0	14%	28%	4%	6%
	100%	100%	100%	100%	100%	100%	100%
Employ a decorator?							
Yes	36%	27%	41%	0	3%	45%	27%
No	61%	67%	55%	91%	92%	53%	67%
No answer	3%	6%	4%	9%	5%	2%	6%
	100%	100%	100%	100%	100%	100%	100%

the most employees. These stores are traditionally larger in size and volume, which leads us to the next table.

Table 19 shows the percentage of stores employing a decorator. It seems most retailers in the decorative products industry are more inclined to *not* have a decorator than to have one.

Home centers and "other" stores are most likely to hire a decorator. For the home center, this inclination toward a decorator may be attributed to the size of the store itself. Home centers are often large, sectioned off according to various departments, with each department requiring a "specialist" or decorator. Thirty-six percent of independents said they employ a decorator. Only the hardware stores indicated that they rarely, if ever, have a decorator on hand to serve the customers. Areas in which a decorator would be needed, such as window treatments, are not big items with hardware stores. Like hardware, lumber stores indicated that they usually do not have a decorator (3 percent said "yes").

Overall, 27 percent of the respondents have a decorator and 73 percent do not.

Table 20

Average Square Feet Devoted To Decorative Products

Type Store	Square Feet
Independent	2,131
Paint Mfg.-Owned	2,234
Home Center	2,216
Hardware	1,019
Lumber	1,084
Other	2,013

The average square feet devoted to decorative products in each store category is shown in Table 20. For some store types, this may well be the average size of the entire store. For others, such as lumber stores, this is only the space devoted to decorative products. The independents, manufacturer-owned, home centers and "other" categories all show the largest dimensions in square footage. ■